

# MAINE STATE LEGISLATURE

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COMMERCIAL PAPER

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PART 1

SHORT TITLE, FORM AND INTERPRETATION

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§ 3-101. Short title

This Article shall be known and may be cited as "Uniform Commercial Code—Commercial Paper."

1963, c. 362, § 1.

§ 3-102. Definitions and index of definitions

(1) In this Article unless the context otherwise requires,

(a) **Issue.** "Issue" means the first delivery of an instrument to a holder or a remitter.

(b) **Order.** An "order" is a direction to pay and must be more than an authorization or request. It must identify the person to pay with reasonable certainty. It may be addressed to one or more such persons jointly or in the alternative but not in succession.

(c) **Promise.** A "promise" is an undertaking to pay and must be more than an acknowledgment of an obligation.

(d) **Secondary party.** "Secondary party" means a drawer or indorser.

(e) **Instrument.** "Instrument" means a negotiable instrument.

(2) Other definitions applying to this Article and the sections in which they appear are:

|                            |                |
|----------------------------|----------------|
| "Acceptance."              | Section 3-410. |
| "Accommodation party."     | Section 3-415. |
| "Alteration."              | Section 3-407. |
| "Certificate of deposit."  | Section 3-104. |
| "Certification."           | Section 3-411. |
| "Check."                   | Section 3-104. |
| "Definite time."           | Section 3-109. |
| "Dishonor."                | Section 3-507. |
| "Draft."                   | Section 3-104. |
| "Holder in due course."    | Section 3-302. |
| "Negotiation."             | Section 3-202. |
| "Note."                    | Section 3-104. |
| "Notice of dishonor."      | Section 3-508. |
| "On demand."               | Section 3-108. |
| "Presentment."             | Section 3-504. |
| "Protest."                 | Section 3-509. |
| "Restrictive indorsement." | Section 3-205. |
| "Signature."               | Section 3-401. |

(3) The following definitions in other Articles apply to this Article:

|                      |                |
|----------------------|----------------|
| "Account."           | Section 4-104. |
| "Banking day."       | Section 4-104. |
| "Clearing house."    | Section 4-104. |
| "Collecting bank."   | Section 4-105. |
| "Customer."          | Section 4-104. |
| "Depository bank."   | Section 4-105. |
| "Documentary draft." | Section 4-104. |
| "Intermediary bank." | Section 4-105. |
| "Item."              | Section 4-104. |
| "Midnight deadline." | Section 4-104. |
| "Payor bank."        | Section 4-105. |

(4) In addition Article 1 contains general definitions and principles of construction and interpretation applicable throughout this Article.

1963, c. 362, § 1.

### § 3-103. Limitations on scope of Article

(1) This Article does not apply to money, documents of title or investment securities.

(2) The provisions of this Article are subject to the provisions of the Article on bank deposits and collections (Article 4) and secured transactions (Article 9).

1963, c. 362, § 1.

### § 3-104. Form of negotiable instruments; "draft"; "check"; "certificate of deposit"; "note"

(1) Any writing to be a negotiable instrument within this Article must

- (a) Be signed by the maker or drawer; and
- (b) Contain an unconditional promise or order to pay a sum certain in money and no other promise, order, obligation or power given by the maker or drawer except as authorized by this Article; and
- (c) Be payable on demand or at a definite time; and
- (d) Be payable to order or to bearer.

**11 § 3-104**      **UNIFORM COMMERCIAL CODE**      **Title 11**

(2) A writing which complies with the requirements of this section is

- (a) A "draft" ("bill of exchange") if it is an order;
- (b) A "check" if it is a draft drawn on a bank and payable on demand;
- (c) A "certificate of deposit" if it is an acknowledgment by a bank of receipt of money with an engagement to repay it;
- (d) A "note" if it is a promise other than a certificate of deposit.

(3) As used in other Articles of this Title, and as the context may require, the terms "draft", "check", "certificate of deposit" and "note" may refer to instruments which are not negotiable within this Article as well as to instruments which are so negotiable

1963, c. 362, § 1.

**§ 3-105.    When promise or order unconditional**

(1) A promise or order otherwise unconditional is not made conditional by the fact that the instrument

- (a) Is subject to implied or constructive conditions; or
- (b) States its consideration, whether performed or promised, or the transaction which gave rise to the instrument, or that the promise or order is made or the instrument matures in accordance with or "as per" such transaction; or
- (c) Refers to or states that it arises out of a separate agreement or refers to a separate agreement for rights as to prepayment or acceleration; or
- (d) States that it is drawn under a letter of credit; or
- (e) States that it is secured, whether by mortgage, reservation of title or otherwise; or
- (f) Indicates a particular account to be debited or any other fund or source from which reimbursement is expected; or
- (g) Is limited to payment out of a particular fund or the proceeds of a particular source, if the instrument is issued by a government or governmental agency or unit; or
- (h) Is limited to payment out of the entire assets of a partnership, unincorporated association, trust or estate by or on behalf of which the instrument is issued.



(2) A promise or order is not unconditional if the instrument

(a) States that it is subject to or governed by any other agreement; or

(b) States that it is to be paid only out of a particular fund or source except as provided in this section.

1963, c. 362, § 1.

### § 3-106. Sum certain

(1) The sum payable is a sum certain, even though it is to be paid

(a) With stated interest or by stated installments; or

(b) With stated different rates of interest before and after default or a specified date; or

(c) With a stated discount or addition if paid before or after the date fixed for payment; or

(d) With exchange or less exchange, whether at a fixed rate or at the current rate; or

(e) With costs of collection or an attorney's fee or both upon default.

(2) Nothing in this section shall validate any term which is otherwise illegal.

1963, c. 362, § 1.

### § 3-107. Money

(1) An instrument is payable in money, if the medium of exchange in which it is payable is money at the time the instrument is made. An instrument payable in "currency" or "current funds" is payable in money.

(2) A promise or order to pay a sum stated in a foreign currency is for a sum certain in money and, unless a different medium of payment is specified in the instrument, may be satisfied by payment of that number of dollars which the stated foreign currency will purchase at the buying sight rate for that currency on the day on which the instrument is payable or, if payable on demand, on the day of demand. If such an instrument specifies a foreign currency as the medium of payment the instrument is payable in that currency.

1963, c. 362, § 1.

**§ 3-108. Payable on demand**

Instruments payable on demand include those payable at sight or on presentation and those in which no time for payment is stated.

1963, c. 362, § 1.

**§ 3-109. Definite time**

(1) An instrument is payable at a definite time, if by its terms it is payable

(a) On or before a stated date or at a fixed period after a stated date; or

(b) At a fixed period after sight; or

(c) At a definite time subject to any acceleration; or

(d) At a definite time subject to extension at the option of the holder, or to extension to a further definite time at the option of the maker or acceptor or automatically upon or after a specified act or event.

(2) An instrument which by its terms is otherwise payable only upon an act or event uncertain as to time of occurrence is not payable at a definite time even though the act or event has occurred.

1963, c. 362, § 1.

**§ 3-110. Payable to order**

(1) An instrument is payable to order when by its terms it is payable to the order or assigns of any person therein specified with reasonable certainty, or to him or his order, or when it is conspicuously designated on its face as "exchange" or the like and names a payee. It may be payable to the order of

(a) The maker or drawer; or

(b) The drawee; or

(c) A payee who is not maker, drawer or drawee; or

(d) Two or more payees together or in the alternative; or

(e) An estate, trust or fund, in which case it is payable to the order of the representative of such estate, trust or fund or his successors; or

(f) An office, or an officer by his title as such in which case it is payable to the principal but the incumbent of the of-

fice or his successors may act as if he or they were the holder; or

(g) A partnership or unincorporated association, in which case it is payable to the partnership or association and may be indorsed or transferred by any person thereto authorized.

(2) An instrument not payable to order is not made so payable by such words as "payable upon return of this instrument properly indorsed."

(3) An instrument made payable both to order and to bearer is payable to order, unless the bearer words are handwritten or typewritten.

1963, c. 362, § 1.

### § 3-111. Payable to bearer

An instrument is payable to bearer, when by its terms it is payable to

(1) Bearer or the order of bearer; or

(2) A specified person or bearer; or

(3) "Cash" or the order of "cash," or any other indication which does not purport to designate a specific payee.

1963, c. 362, § 1.

### § 3-112. Terms and omissions not affecting negotiability

(1) The negotiability of an instrument is not affected by

(a) The omission of a statement of any consideration or of the place where the instrument is drawn or payable; or

(b) A statement that collateral has been given to secure obligations either on the instrument or otherwise of an obligor on the instrument or that in case of default on those obligations the holder may realize on or dispose of the collateral; or

(c) A promise or power to maintain or protect collateral or to give additional collateral; or

(d) A term authorizing a confession of judgment on the instrument if it is not paid when due; or

(e) A term purporting to waive the benefit of any law intended for the advantage or protection of any obligor; or

**11 § 3-112**      **UNIFORM COMMERCIAL CODE**      **Title 11**

(f) A term in a draft providing that the payee by indorsing or cashing it acknowledges full satisfaction of an obligation of the drawer; or

(g) A statement in a draft drawn in a set of parts (section 3-801) to the effect that the order is effective only if no other part has been honored.

(2) Nothing in this section shall validate any term which is otherwise illegal.

1963, c. 362, § 1.

**§ 3-113. Seal**

An instrument otherwise negotiable is within this Article even though it is under a seal.

1963, c. 362, § 1.

**§ 3-114. Date, antedating, postdating**

(1) The negotiability of an instrument is not affected by the fact that it is undated, antedated or postdated.

(2) Where an instrument is antedated or postdated the time when it is payable is determined by the stated date if the instrument is payable on demand or at a fixed period after date.

(3) Where the instrument or any signature thereon is dated, the date is presumed to be correct.

1963, c. 362, § 1.

**§ 3-115. Incomplete instruments**

(1) When a paper, whose contents at the time of signing show that it is intended to become an instrument, is signed while still incomplete in any necessary respect it cannot be enforced until completed, but when it is completed in accordance with authority given it is effective as completed.

(2) If the completion is unauthorized, the rules as to material alteration apply (section 3-407), even though the paper was not delivered by the maker or drawer; but the burden of establishing that any completion is unauthorized is on the party so asserting.

1963, c. 362, § 1.

**§ 3-116. Instruments payable to 2 or more persons**

An instrument payable to the order of 2 or more persons,

(1) If in the alternative is payable to any one of them and may be negotiated, discharged or enforced by any of them who has possession of it;

(2) If not in the alternative is payable to all of them and may be negotiated, discharged or enforced only by all of them.

1963, c. 362, § 1.

**§ 3-117. Instruments payable with words of description**

An instrument made payable to a named person with the addition of words describing him

(1) As agent or officer of a specified person is payable to his principal but the agent or officer may act as if he were the holder;

(2) As any other fiduciary for a specified person or purpose is payable to the payee and may be negotiated, discharged or enforced by him;

(3) In any other manner is payable to the payee unconditionally and the additional words are without effect on subsequent parties.

1963, c. 362, § 1.

**§ 3-118. Ambiguous terms and rules of construction**

The following rules apply to every instrument:

(1) Where there is doubt whether the instrument is a draft or a note, the holder may treat it as either. A draft drawn on the drawer is effective as a note.

(2) Handwritten terms control typewritten and printed terms, and typewritten control printed.

(3) Words control figures except that if the words are ambiguous figures control.

(4) Unless otherwise specified a provision for interest means interest at the judgment rate at the place of payment from the date of the instrument, or if it is undated from the date of issue.

(5) Unless the instrument otherwise specifies 2 or more persons who sign as maker, acceptor or drawer or indorser and as a

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part of the same transaction are jointly and severally liable even though the instrument contains such words as "I promise to pay".

(6) Unless otherwise specified, consent to extension authorizes a single extension for not longer than the original period. A consent to extension, expressed in the instrument, is binding on secondary parties and accommodation makers. A holder may not exercise his option to extend an instrument over the objection of a maker or acceptor or other party who in accordance with section 3-604 tenders full payment when the instrument is due.

1963, c. 362, § 1.

**§ 3-119.      Other writings affecting instrument**

(1) As between the obligor and his immediate obligee or any transferee, the terms of an instrument may be modified or affected by any other written agreement executed as a part of the same transaction, except that a holder in due course is not affected by any limitation of his rights arising out of the separate written agreement, if he had no notice of the limitation when he took the instrument.

(2) A separate agreement does not affect the negotiability of an instrument.

1963, c. 362, § 1.

**§ 3-120.      Instruments "payable through" bank**

An instrument which states that it is "payable through" a bank or the like designates that bank as a collecting bank to make presentment but does not of itself authorize the bank to pay the instrument.

1963, c. 362, § 1.

**§ 3-121.      Instruments payable at bank**

A note or acceptance which states that it is payable at a bank is the equivalent of a draft drawn on the bank payable when it falls due out of any funds of the maker or acceptor in current account or otherwise available for such payment.

1963, c. 362, § 1.

**§ 3-122. Accrual of cause of action**

(1) A cause of action against a maker or an acceptor accrues

(a) In the case of a time instrument on the day after maturity;

(b) In the case of a demand instrument upon its date or, if no date is stated, on the date of issue.

(2) A cause of action against the obligor of a demand or time certificate of deposit accrues upon demand, but demand on a time certificate may not be made until on or after the date of maturity.

(3) A cause of action against a drawer of a draft or an indorser of any instrument accrues upon demand following dishonor of the instrument. Notice of dishonor is a demand.

(4) Unless an instrument provides otherwise, interest runs at the rate provided by law for a judgment

(a) In the case of a maker, acceptor or other primary obligor of a demand instrument, from the date of demand;

(b) In all other cases, from the date of accrual of the cause of action.

1963, c. 362, § 1.